

DIFFERENT STROKES FOR DIFFERENT FOLKS: EMERGING MARKET MNE'S INTERNATIONALIZATION PATHS

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Introduction. One of the more important trends in global business has been the rapid and widespread internationalization of firms from so-called Emerging Markets. In this paper, we seek to first describe and then theoretically explain various pathways adopted by these firms. We argue that a combination of home and host country locational characteristics, ownership advantages and disadvantages and firm strategy underlie a more comprehensive explanation of different paths of EM MNEs' outward FDI.

Materials and methods. We examine the different possible pathways including sequences of international moves by these firms. We categorize them into single versus double versus multiple loops of international expansion. Using a set of case examples, we look at ways to understand the factors that underlie different types of internationalization processes for emerging market MNEs.

Results and discussion. Home country characteristics have a profound influence on the type of advantages and disadvantages, if any, that EM firms are likely to possess. To fully understand the "home" context, one has to look at both the level of the national factors as well as industry level factors. National level factors have been identified across broad categories that comprised economic, institutional, technological, cultural and social factors while industry level factors may include the nature of competition, the sophistication of suppliers and customer networks and relative bargaining power, the kind of regulatory and non-regulatory barriers to entry, and the presence of alternatives and substitutes. Differing national and industry conditions shape the set of location-specific assets.

Similarly, host country locations have their set of location-specific advantages and disadvantages that a potential entrant (such as an EM MNE) can access to and deal with. The question remains as to what location choices would be appropriate for a specific EM MNE and how would these choices evolve over time. Such choices are a function of firm-specific assets (FSAs), which in itself could be a function of home LSAs, and the host country conditions, in terms of both LSAs and disadvantages of these host locations. The factor that is likely going to link these two sets of conditions is likely to be the EM MNEs strategic intent. Such strategic intent needs to be aligned with the type of host country characteristics in terms of advantages (LSAs) and disadvantages.

Conclusions. To conclude, to understand the choices of locations, one needs to consider the interaction between the EM MNEs strategic intent and the locational characteristics of possible host locations. The firm's strategic intent, in turn, is influenced by the firm's current stock of FSAs and its need for new sometimes complementary FSAs. The firm's current stock of FSAs is partly dependent on the set of LSAs of the home location, and partly on the ability of the firm to absorb and internalize the semi-public LSAs at home. The firm's ability to absorb new assets in host locations, also partly depends on the set of LSAs available at the host locations, and partly on the ability of the EM firm to absorb and learn from these host locations.